

2.11 Deputy G.P. Southern of the Minister for Treasury and Resources regarding the new 'Zero/10' taxation proposals:

Would the Minister inform Members whether the new Zero/10 proposals reverse the successful taxation policies of the past 40 years by transferring the responsibility for paying for local services solely to residents?

Senator T.A. Le Sueur (The Minister of Treasury and Resources):

I would say, Sir, that the Zero/10 proposals are consistent with the fiscal strategy which the States agreed last year. They do not reverse the successful taxation policies of the last 40 years, as there is no question of local services being paid for solely by local residents. I do concede that local residents will be called upon to contribute more than they currently do and I believe it is fair that we all appreciate our responsibilities and contribute to the running costs of the Island. Financial services companies will be charged at a 10 per cent rate of tax on their trading profits and they will also pay a substantial contribution towards the proposed goods and services tax. Whilst it is true that some local residents will also have to pay more tax, they will not be solely responsible for the tax burden under the Zero/10 proposals, as these comments confirm. I believe that the Zero/10 proposals are essential for the future wellbeing of our economy and will built upon and enhance the success of Jersey as an international finance centre. They are necessary not only because they are essential for international competitive reasons, but also they show our determination to be a good neighbour to our European colleagues. They will enable local residents to continue to enjoy the highest standard of living, which they have enjoyed now for many recent years.

2.11.1 Deputy G.P. Southern:

The Minister refers to the contribution to be made by the financial services industry as "substantial". Can he express whether he considers truly that between £10 million and £15 million is in fact substantial, compared to £45 million, which is going to come out of residents' pockets?

Senator T.A. Le Sueur:

I think the Deputy needs to remind himself that those residents he talks about are very often employed in the financial services industry and that they will be paying indirectly, if you like, for the benefits and success that that industry achieves in being able to provide these people with a good disposable income.

2.11.2 Deputy G.P. Southern:

What steps will the Minister take to ensure that the effects of his GST policies are not reflected in raising inflation rates on the Island through raised wage claims?

Senator T.A. Le Sueur:

There is a clear danger at any time, Sir, irrespective of fiscal changes, that inflation can drive wage pressures, as indeed many other facts can drive wage pressures. At the end of the day, wages can only be raised if the Island can still remain competitive. Without that adequate competition, there will be no jobs for these people. So, in

negotiations, while there may well be compelling social reasons to pay higher wages, unless the businesses can afford to do that by being in a successful economy, they will not be able to pay them.

2.11.3 Deputy G.P. Southern:

Can I ask the Minister to answer the question? The question was: what measures will he take, not what will happen to business.

Senator T.A. Le Sueur:

I will review the situation regularly under review. In the same way as we deferred “20 means 20” at the last budget because there were perhaps economic consequences of it, so we will continue to keep all our fiscal measures under review and only implement them in such a way that they will not lead to either undue inflationary or deflationary pressures.

The Bailiff:

Just as I was announcing the final supplementary, the Deputy of St. John caught my eye, so the last supplementary will come from the Deputy of St. John.

2.11.4 The Deputy of St. John:

I just wonder if the Minister could clarify as to under the 0/10 proposals a Financial Services Company will be determined as such by virtue of it being registered with the JFSC (Jersey Financial Services Commission). Is that how you are going to determine as to exactly what a Financial Services Company is or not?

Senator T.A. Le Sueur:

The determination or definition of a Financial Services Company is quite a complex matter and I can only refer the Deputy to the details which are in the consultation paper. It is still, at this stage, a consultation document but what we are trying to achieve is a workable way of defining a Financial Services Company in the simplest way but ensuring that we get the maximum contribution from that sector.